URBAN DEVELOPMENT CORPORATION

ANNUAL REPORT
2015 - 2016

Making development happen...

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Cover photo: Festival Marketplace.

Core Values and Philosophy

The UDC believes in people

We see ourselves as an organisation of people serving people. We are committed to making development happen for the people of Jamaica while nurturing a culture which values both our internal and external customers and is sensitive to their needs.

The UDC believes in quality

We are committed to employing the highest standards in the timely and efficient delivery of our products and services and will benchmark our operations against international practices.

The UDC believes in accountability

We will conduct our business in a transparent manner, while assuming responsibility for our actions and communicating openly and regularly with our clients and stakeholders.

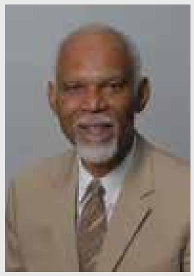
Vision

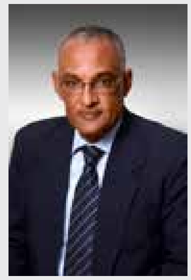
To be the leading urban and rural development agency in the Caribbean.

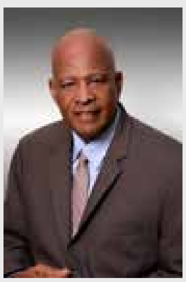
The Corporate Mission Statement

The mission of the UDC is to fulfill our role as the nation's main urban and rural development agency and facilitator, by effectively and efficiently assigning and managing our resources, so as to ensure the economic viability of the Corporation, sustainable national development and the best quality of life for the citizens of Jamaica.

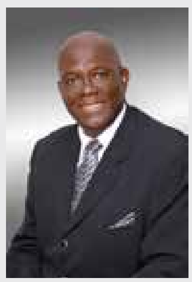
Board of Directors

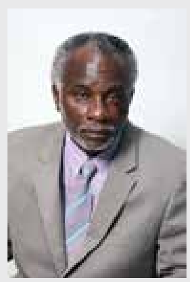

The Hon Senator K. D. Knight - OJ,QC
Chairman

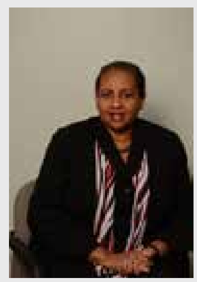

Mr. Norman Minott
Deputy Chairman

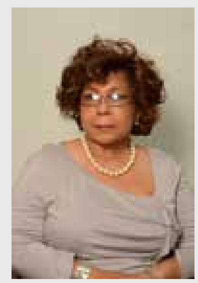

Mr Reynold Scott


Ms Elizabeth Thompson

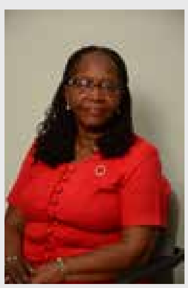

Rev Rudolph Daley


Mr Ralston Hyman


Ms Greta Bogues


Mrs Lucille Brodber


Mr Derrick Webb

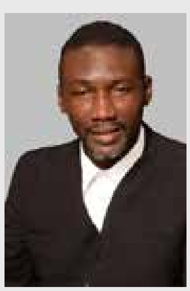

Miss Marcia Edwards


Col David Cummings


Ms Pamela Redwood


Mr Andrew Azar


Mrs Sonia Hyman

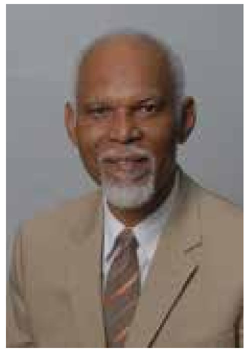

Mr Patrick Peterkin


Mr Robert Martin


Mr Lambert Brown


Mr Clinton Clarke

Chairman's Report



The Hon Senator K.D. Knight - OJ, Q.C.
Chairman

The Urban Development Corporation (UDC), the Government's primary development agency continued to show positive growth at March 31, 2016, recording a profit of $5B against that of $2.57B for the previous financial year. The value of its assets also increased from $44.2B in 2015 to $50.2B in 2016.

Despite the overall profitability showing however, the Corporation experienced a reversal in operating profit, which stood at $340.5M at the end of the 2015 financial year to end with an operating loss of $545.7M at March 31, 2016.

Encouraged by improvements at the macro level, the Corporation continued to pursue activities aimed at increasing operational efficiencies to allow for the impactful delivery of its mandate to make development happen for the people of Jamaica.

The UDC continued on the path of divesting underutilized assets as a means of spurring national development and positively impacting the Corporation's bottom-line.

The Corporation's operations were guided by the following corporate objectives –

- Assure the sustained financial viability and solvency of the Corporation
- Utilize assets owned by the UDC to create transformational development opportunities
- Plan and execute projects that support and encourage national development
- Redesign the corporate structure and staffing to deliver the desired objectives in the most efficient manner.

The Corporation appeared before the Public Administration and Appropriations Committee (PAAC) of Parliament on July 15 and 22, 2015, to provide updates on matters as follows –

I. Tax Incentive Programme - the Special Development Areas; the number of applications and value of investment over the life of the programme

II. An overview of the financial state of the Montego Bay Convention Centre and recommendation for its future operation
III. Montego Bay Sports Complex – advisory of its transfer to the St James Parish Council
IV. Catherine Hall – which had again been advertised for divestment
V. Status of government receivables which at May 2015, stood at approximately J$221M
VI. Status report on major projects being undertaken by the UDC.

Arising out of the appearances, the UDC was asked to provide information on bill of quantities for office space developed at the Montego Bay Convention Centre and the Ocho Rios and Port Royal Redevelopment plans. The responses were formulated by the UDC and submitted to the Office of the Prime Minister on August 28, 2015 for forwarding to the PAAC.

The Corporate Plan for the next financial year and beyond, articulated the advancing/completion of projects that were already underway during the review year. The Caymanas infrastructure project in St. Catherine, for example, is scheduled for completion within the next review period. The procurement process for the Ocho Rios Promenade and Main Street upgrading projects, is expected to be concluded to facilitate project execution. Still in Ocho Rios, the Central Gardens, aimed at diversifying the Dunn's River Falls Product offering is projected for completion during the 16/17 financial year.

Focus would be maintained on the downtown Kingston development area, with the advancing of the works on the Ministry of Foreign Affairs Building and the Market District with specific reference to the Red Rose and Jubilee markets.

The Corporation further proposed for the upcoming 16/17 year to place greater focus on the area of risk management by strengthening its capabilities to identify and mitigate/manage risks associated with the implementation of its mandate.

In the area of governance, the general elections held on February 25, 2016 which ushered in a new Government, saw the Board of Directors tendering their resignations with immediate effect, one month shy of the end of the financial year. The audited financial was as a consequence approved by the sitting Board on March 18, 2017.

Programme Review

In addition to the corporate objectives, the UDC further segmented its operations along four perspectives as follows:

- FINANCIAL
- INTERNAL BUSINESS
- CUSTOMER
- LEARNING AND GROWTH

The Report will therefore present the performance of the Corporation in keeping with the aforementioned objectives and perspectives.

FINANCIAL

The financial wellbeing of the Corporation is predicated on its earning management fees on projects undertaken on behalf of other entities, the divestment of assets through lease or sale and revenue generated by its attractions.

Management fees of approximately $229M was earned for the period. This was however 43% below the budgeted amount for the period.

Another significant financial liability, the Petro Caribe Loan of US$11M was renegotiated during the year with a cap of US$9.587M and an amortising payment over 10 years with a five year balloon payment with interest of 3%. The Loan was obtained by the UDC for the redevelopment of the historic Falmouth town centre ahead, for the visit of the world's largest cruise line in 2011. The loan was secured by way of a registered mortgage on the UDC owned Top Forte property in St Ann. The financial implications for the Corporation have remained significant.

The Montego Bay Convention Centre, underwent changes in the ownership structure during the financial year when the transferal of 80% of the shares to the Government of Jamaica was concluded. The UDC retained 20% shareholding. The Corporation had been providing monthly amounts of approximately $20M to cover the operational costs at the Centre and this change will reduce the UDC's exposure.

The UDC in September 2015 entered into a lease arrangement with the Transport Authority for the Downtown Kingston Transport Centre for a period of five years with the option to renew for another five. This will have the collective effect on the UDC of, reduced operational costs and increased revenues.

The Transport Centre which is sited on five lots covering an area of 4.6 hectares was constructed by the UDC and opened in 2011 as the transportation component in the redevelopment plan for downtown Kingston.

The Corporation also pursued other revenue streams. One which yielded results was the regularization of bill board advertising on UDC properties, with contracts entered into with four companies, with a view to extending to others. Anticipated annual yield from this activity was projected at $4M.

INTERNAL BUSINESS

During the review year, focus was also directed internally to leverage the use of technology for operational efficiency. The Corporation developed and launched policies to govern the operations and the wellbeing of staff. The Sexual Harassment and Disability policies were launched on April 14, 2015, with the UDC being among the first Government entities to develop and adopt these policies. Later that year the organisation launched a Dress Code Policy for its staff. In an event dubbed 'The Look', staff was engaged through a fashion show and discussion on attire appropriate to the corporate brand and respective functions.

Still on the matter of engagement and inculcating service excellence in the team, the Corporation launched a Customer Service Road show at the Head Office, on October 8, in keeping with National Customer Service Week. The 'Show' travelled to staff at all locations.

Staff welcomed the initiative and was able to share with each other "WOW" customer service experiences and committed to affording all customers, internal and external, similar quality interactions.

Road Show in St Ann

The Corporation's submission of the approved Corporate Plan for the 2016/17 to 2019/20 to the Office of the Prime Minister (OPM) and the Ministry of Finance and Planning (MOFP) was in accordance with the December 31, 2015 deadline.

CUSTOMER

The Customer perspective is being assessed at two levels. In the first instance, the execution of the projects and the resulting impact on the communities and in the second, that of the Brand or stakeholder interaction.

Projects

Electronic Management System

The electronic entry management system introduced at Dunn's River Fall and Park in the previous year was implemented at the Ocho Rios Bay Beach during the review year. As the Corporation continued its investment in technology to improve business processes and facilitate ease of access for patrons, an e-commerce module was implemented at Dunn's river Falls and Park. This will facilitate online and credit card purchases of the attraction's tickets. Expansion of the technology to Ocho Rios Bay Beach and Green Grotto Caves also commenced during the financial year.

Implementation of an access control system at the Head Office commenced during the year, with the installation of the requisite hardware.

Caymanas Sewage Infrastructure Project

During the review year, the Corporation undertook the J$624M Caymanas Infrastructure Project. The scope for the project includes the construction of some 7.4km of force main pipeline and two lift stations to convey sewage to the Soapberry Wastewater Treatment Plant in St. Catherine. The infrastructural works form part of the Caymanas Estate Development Plan (CEDP), which seeks to capitalize on opportunities that already exist within the plan area, such as mixed use recreational/ residential /commercial.

Funding for the project was arranged through the UDC treasury from sale proceeds from assets inclusive of Lot 21, Oceana Complex, Jamintel and Machado Complex all in downtown Kingston and the Forum property in St. Catherine.

The project which is being executed by contractors, YP Seaton and Associates Company Limited achieved 73% completion at year end and generated employment for various categories of workers within the St Catherine area.

Festival Marketplace

As the Corporation sought to build out discrete projects in keeping with the development of downtown Kingston, phase 1 of the Festival Marketplace area, called the Food Bazaar was completed during the year. The bazaar comprises hardscape and softscape, with vending kiosks and seating interspersed in the landscaped areas.

The Festival market place is located on 8.9 acres of prime land adjacent to the Kingston Craft Market and is intended to be an extension of the renewed market and commercial districts in the north. Subsequent phases to include facilities for in-bond and local shopping, restaurants, marina and docking facilities.

Port Royal

Over in Port Royal, the renovation to the Old Naval Hospital Phase 1 achieved practical completion on January 29, 2016. The project valued at J$80M was financed through the Tourism Enhancement Fund (TEF). The works included the renovation of the roof and the construction of a tertiary sewage system, consisting of a septic tank and reed bed.

Old Naval Hospital during renovation

Turtle Walk Improvement -Ocho Rios

With the completion of improvement works at the terminal building at the port, the bus staging area around the car park, Turtle Walk between the cruise ship terminal gate and the marina, attention was turned to planning for Main Street and the Promenade. At close of the financial year, procurement was in process for Main Street and Promenade. The project managed by the UDC and jointly funded by the TEF and the Port Authority of Jamaica (PAJ) is part of an overall programme to improve the spatial and visual quality of the town.

Spanish Town Historic Trail

The UDC undertook rehabilitation works in Spanish Town, which saw Emancipation Square works being completed. Old King's House Façade and Portico almost completed and work very advanced on the beautification of the Old Iron Bridge and the upgrading of the People's Museum. The $58 M project is funded by the TEF.

Old Kings House Façade and Portico

Market Redevelopment

The UDC was involved in several projects geared at improving markets in Kingston and St Catherine. In the capital, tenders were invited from suitably qualified contractors to undertake works on the Red Rose Fish Market at Heywood Street and the Jubilee Market at West Parade.

The scope of works for Red Rose includes the construction of a single storey steel framed building with chain link and block wall fencing, paved sidewalks and drainage and electrical services. The Jubilee market project will involve the construction of new facilities following on a fire in 2009 which destroyed the market.

Over in St Catherine, phase 111 of the Linstead Market Renovation was undertaken, which included the repairs to the first floor, roof replacement and painting of main building.

Dunn's River Falls and Park

The Corporation began the development of the Central Gardens in the Dunn's River Falls and Park (DRFP) property during the year. On completion the Gardens will boast a splash pad and water slides as well as kiosks from which a number of activities will operate, including the Dunn's River logo shop.

Construction in progress at Central Gardens

In addition, the UDC offered opportunities for small businesses to be part of the diversification of the offering at the DRFP. Opportunities inclusive of confectioneries, Jamaican patties and other fast food were available for interested investors, to submit proposal no later than March 31, 2016. Even as the efforts to diversify the offerings were being undertaken, the attraction was awarded the TripAdvisor Certificate of Excellence which is awarded only to establishments which consistently achieve great reviews on TripAvisor over a 12 month period.

Other Projects

Several other projects were advanced or implemented during the review year. Included in the listing is the Cave Hill Sewer Extension, in Hellshire St Catherine which achieved practical completion on March 2016.

Over in the western end of the island, renovation of the Rutland Point Craft Market was completed, however two additional shops were included as variation to the original contract and were scheduled for completion outside of the review period. Phase I of the Norman Manley Sea Park, which involved the construction of the boundary fence was also completed. The overall project includes the design and implementation of multipurpose courts, children play area, gazebos and changing rooms.

Several projects were initiated on behalf of other Government agencies, to include the Ministry of Foreign Affairs building and phase 1 works, the construction of a perimeter fence at the National Heroes Park on behalf of the Ministry of Transport, Works and Housing.

The UDC signed a Memorandum of Understanding with the University Council of Jamaica for the building of its offices.

The Corporation was also asked to undertake the refurbishing of the Ministry of Justice's offices.

National Heroes Park Fencing

A significant project to be undertaken by the Corporation in Montego Bay is the rehabilitation of the groynes along the coastline. Project funding was being sought through the submission of a proposal to the Caribbean Community Climate Change Centre, under the Coastal protection for Climate Change Adaptation in the Small Island States in the Caribbean. A concept paper for the rehabilitation was submitted by the UDC on July 27, thereafter an invitation was extended to the Corporation to submit proposal for funding in August 2015.

The Brand

Diaspora Conference

The UDC Brand was on display at the 6th Biennial Jamaica Diaspora Conference, convened by the Ministry of Foreign Affairs held from June 13-18, 2015 at the Montego Bay Convention Centre. The UDC presented at the Conference on its investmen opportunities, complemented by a booth showcasing the offerings and facilitating dialogue with prospects.

Sales Director, Rean Goulbourne (r) engages CEO GraceKennedy, Don Wehby on UDC Investment Opportunities.

Labour Day 2015

The 2015 Labour Day activities were directed towards the Salvation Army Basic School in downtown Kingston, where members of team UDC cleared overgrown vegetation, painted classrooms and made more secure, equipment in play areas

Labour Day activities

Environmental Education

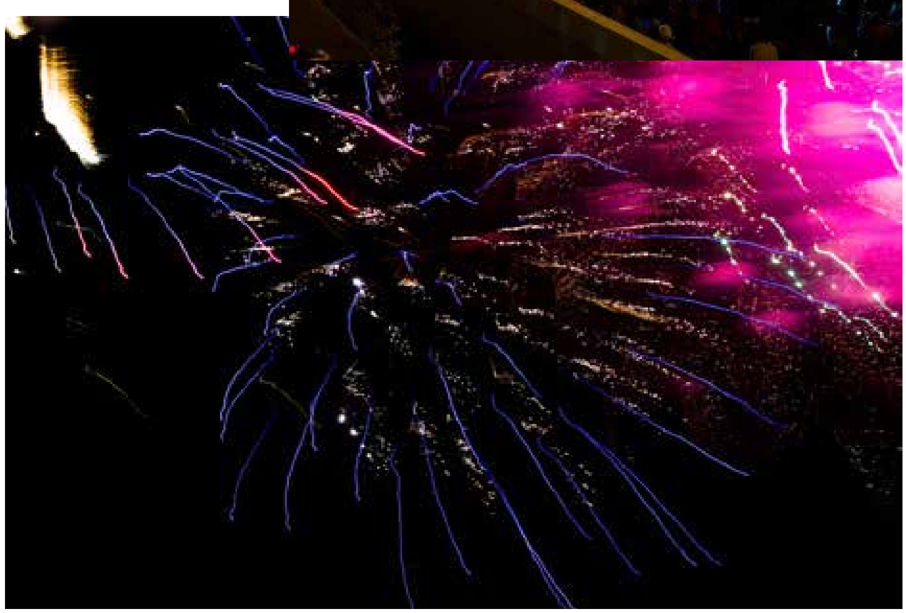
Environmental education aligned to international observances such as World Wetlands Day and Coastal Clean up Day were undertaken during the year in keeping with the Corporation's environmental stewardship.

Danae Vaccianna, Protected Area Supervisor engages youngsters during World Wetlands Day event

Fireworks 2015

Fireworks, the calendar event was staged on December 31, 2015, with the Corporation again enjoying a record turnout of patrons, ushering in the New Year from the Kingston Waterfront. The event offered up the usual mix of activities for the entire family to include kiddies and vending villages, entertainment and the climatic fireworks display at midnight.

The UDC used the Launch event held on November 18, 2015 to recognize founding Fireworks committee members. The event was first staged in 1999.



Ocho Rios Bay Beach

Ocho Rios Bay Beach, St Ann, was the venue of the first Continental Women's Beach Volleyball Tournament and Women's Olympic Qualifiers, for the three day period May 1-3, 2015. Hosts Jamaica claimed a sensational victory in the finals held on Sunday, May 3 to emerge winners of the tournament, organized by the Jamaica Volleyball Association.

Fourteen Caribbean countries inclusive of Aruba, Bahamas, the Cayman Islands, Curacao, Martinique, Turks and Caicos and the US Virgin Islands participated in the competition. The UDC converted its venue rental to sponsorship of the event in support of Jamaica and Ocho Rios as a sporting location.

Downtown Kingston Lecture

The UDC collaborated with Kingston College as part of the school's 90th Anniversary celebrations to stage a special lecture focusing on Urban Renewal and the Resuscitation of downtown Kingston at the Jamaica Conference Centre on June 4, 2015. The main public lecture presented by the UDC focused on the redevelopment plans for downtown Kingston and the advancement of these plans. A feature of the presentation was the Lane Restructuring Programme, a pilot housing project implemented in select yards on Hanover Street and Chestnut Lane, transforming crumbling structures to more reinforced buildings with proper sewerage connections.

LEARNING AND GROWTH

Internally, the Corporation sought to strengthen staff at all levels with 51 training opportunities made available. In addition at a Staff Meeting held in September 2015, the achievements of the Corporation for the review year were communicated to staff, to increase awareness levels.

Administrative professionals were celebrated on their special day for their contribution to making development happen. Here members of the group record the moment at the Jamaica Conference Centre, in April

On the matter of remuneration, a Heads of Agreement was signed between the UDC and the Staff Association (affiliated with Union of Clerical Administrative and Supervisory Employees) for the period April 1, 2013 to March 31, 2015, which saw retroactive salaries being paid out during the review year.

The maxim "All work and No Play" was seriously adopted by the UDC staffers with several sporting teams fielded during the year. Disciplines engaged in included football, netball, basketball and dominoes, as well as the Planning Institute of Jamaica coordinated Emancipendence games involving Government agencies.

The basketball team at Dress Parade

A study of concentration as the domino team prepares to do battle

The Annual Report for the April 2015 to March 2016 period is being presented based on the records seen.

The Hon Senator K.D. Knight - OJ, Q.C.
Chairman

Subsidiaries and Associated Companies

Name of Company	Subsidiary/Associated Company	Status
Ocho Rios Commercial Centre Limited	Subsidiary	Active
Runaway Bay Water Company Limited	Subsidiary	Active
Caymanas Development Company Limited	Subsidiary	Active
Montego Bay Conference Centre Limited	Subsidiary	Active
Kingston Waterfront Hotel Company Limited	Associated Company – NHPL	Active
Montego Beach (1975) Limited	Associated Company – NHPL	Active
Montego Freeport Limited	Associated Company – NHPL	Active
Montego Shopping Centre Limited	Associated Company – MFL	Active
Kingston City Centre Improvement Company Limited	Associated Company	Active
Kingston Restoration Company Limited	Associated Company	Active
Seaside at Rose Hall Developments Limited	Associated Company	Active
Portmore Commercial Development Company Limited	Associated Company	Active
The Ward Theatre Foundation Limited	Associated Company	Active
St. Ann Development Company Limited	Separate Legal Entity	Active
Central Wastewater Company Limited	Associated Company	Dormant
Port Royal Development Company Limited	Associated Company	Dormant
Bloody Bay Hotel Development Limited	Associated Company	Dormant
Kingston Waterfront Redevelopment Company Limited	Separate Legal Entity	Dormant
National Hotels and Properties Limited	Subsidiary	Dormant
Seacastles Limited	Subsidiary	Restored (to be wound up once sale of property is complete)
Rutland Point Beach Resort Limited	Subsidiary	Restored (to be wound up once sale of property is complete)

Directors of the Urban Development Corporation

Senator K D Knight – Chairman
Norman Minott – Deputy Chairman
Mr Andrew Azar
Col David Cummings
Mrs Marcia Edwards
Mr Lambert Brown
Mr Derrick Webb
Mr Reynold Scott
Mrs Sonia Hyman
Miss Pamela Redwood
Mr Patrick Peterkin
Mr Robert Martin
Ms Elizabeth Thompson
Mrs Lucille Brodber
Miss Greta Bogues
Rev Rudolph Daley
Mr Clinton Clarke
Mr Ralston Hyman
Rev Michael Lewis
Mr Mark Nelson
Mr Jail Dabdoub Jr
Ms Marsha Francis
Mr Shalman Scott
Mr John Cooke

Directors of Subsidiaries and Associate Companies

Runaway Bay Water Company

Manley Bowen – Chairman
Eva Murdock
Veronica Bennett-Warmington
Sara Simpson-Tulloch
Chryseis Reynolds

Ocho Rios Commercial Centre

Errol Philp – Chairman
Robert Martin
Manley Bowen
Rochelle Samuel
Patricia Smith

Caymanas Development Company Limited

Clinton Clarke – Chairman
Orville Marshall
Albert Gray
Heather Robinson
Reynold Scott

Seaside at Rose Hall Development Limited

Senator K D Knight – Chairman
Wiley Sweeny
Don Stansberry
Michele Rollins

Kingston Waterfront Hotel Company Limited

Senator K D Knight - Chairman
Patrick Peterkin
Yvette Brown

Montego Beach 1975 Limited

Senator K D Knight - Chairman
Patrick Peterkin
Yvette Brown

Kingston Waterfront Redevelopment Company Limited

Senator K D Knight - Chairman
Patrick Peterkin
Yvette Brown

Port Royal Development Company

Senator K D Knight – Chairman
Desmond Malcolm
Michael Campbell
John Lynch
Edison Galbraith

Donovan Perkins/Stephen Facey (Alternate)
Lois Sherwood
Robert Stephens

St Ann Development Company
Leon Gordon – Chairman
Gregory Lawrence
Paul Stewart
Robert Martin
Clive Miller
Errol Philp
Sonia Hyman
Lynson Charlton
Garwin Tulloch
Faith Thomas
Angela Archer
Robert Stephens

Montego Freeport Limited
Lambert Brown – Chairman
George Duncan
Cedric Stewart
Richard Clarke
Sonia Hyman

Montego Bay Conference Centre Limited
Andrew Azar – Chairman
Pamela Redwood
Gary Sadler
Carole Guntley
Sam James

National Hotel and Properties
Keith Knight - Chairman
Patrick Peterkin
Clinton Clarke
Yvette Brown

Portmore Commercial Development Company Limited
UDC Appointed Directors Audrey Facey –Smith, Camille Bolton and Clinton Clarke served alongside the National Insurance Fund appointees.

Urban Development Corporation Board Committees

Audit
Col David Cummings – Chairman
Sonia Hyman
Derrick Webb
Errol Hudson (Co-opted)
Donna Deidrick (Co-opted)

Finance Treasury Investment & Risk
Ralston Hyman - Chairman
Elizabeth Thompson
Marcia Edwards
Robert Martin
Veronica Bennett Warmington (Co-opted)

Human Resource Management
Lambert Brown - Chairman
Pamela Redwood
Sonia Hyman
Greta Bogues

Information Communication Technology
Col David Cummings - Chairman
Clinton Clarke
Pamela Redwood
Yvonne Gardener (Co-opted)

Contracts Award
Derrick Webb - Chairman
Patrick Peterkin
Sonia Hyman
Rudolph Daley

Public Relations and Marketing
Pamela Redwood - Chairman
Greta Bogues
Tricia Ferguson – (Co-opted)
Kamal Powell – (Co-opted)

Planning and Development
Norman Minott - Chairman
Derrick Webb
Reynold Scott
Lucille Brodber
Marcia Edwards
Leonard Francis (Co-opted)
Carol Archer (Co-opted)
Shawn Martin (Co-opted)

Implementation Oversight
Senator K D Knight - Chairman
Norman Minott
Derrick Webb
Ralston Hyman

Montego Bay Advisory Committee
Fred Smith – Chairman
Godfrey Dyer
Merrick Fray
Glendon Harris
Noel Sloely Jr
Mark Kerr-Jarrett
Maxim Clarke
Charles Sinclair
Metty Scarlette Jones
Winston Dear

Negril Advisory Committee
Roy Hutchinson – Chairman
Desmond Malcolm
Fred Hamaty
GIPA
HPCA
WPC
NCC

Pension Fund Trustees & Sponsor Trustees
Lennox Elvy – Chairman
Patrick Peterkin
Stanley Morris
Angela Strudwick
Peter Thompson
Enrick Williams

Corporate Governance
Greta Bogues – Chairman
Rudolph Daley
Sophia Frazer Binns
Teri-Ann Lawson

(Established confirmation expected in new financial year)

The UDC also had representation on the following Boards –

- The Ward Theatre Foundation – Elizabeth Thompson
- Kingston Restoration Company – Yvette Sibble/Anthony Smith

Senior Executive Compensation
Financial Year April 1, 2015 - March 31, 2016

Name of Senior Executive	Position of Senior Executive	Salary $	Gratuity or Performance Incentive $	Travelling Allowance or Value of Assigned Motor Vehicle $	Pension or Other Retirement Benefits $	Other Allowances $	Vacation Pay $	Notice pay & Redundancy Payments $	Non-Cash Benefits $	Total $
Desmond Malcolm	General Manager	9,230,817	469,338				1,144,727	–		10,844,882
Yvette Sibble	DGM - Legal Division	7,836,631	1,187,051	1, 481,293				2,454,663		12,959,637
Donald Hamilton	DGM - Finance	7,774,631	1,917,901	1, 481,293			568,313	1,443,919		13,186,075
Robert Stephens	DGM - Revenue Generation and Subsidiary Management	7,581,380		1, 481,293				–		9,062,673
Lorna Perkins	DGM - Development Planning and Project Management	7,581,380		1, 481,293						9,062,673
Anthony Smith	DGM - Corporate Services	7,581,380		1, 481,293						9,062,673
		47,586,218	3,574,290	7,406,464	-	-	1,713,040	3,898,582		64,178,594

Directors' Compensation
Financial Year April 1, 2015 - March 31, 2016

Name of Director	Position of Director	Fees ($)	Motor Vehicle Upkeep / Travelling or Value of Assignment of Motor Vehicle $	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Keith Knight	Chairman	160,000	N/A	N/A	-	160,000
Norman Minott	Deputy Chairman	76,500	N/A	N/A	59,625	136,125
Ralston Hyman	Director	76,500	N/A	N/A	22,875	99,375
Marcia Edwards	Director	68,000	N/A	N/A	-	68,000
Pamela Redwood	Director	68,000	N/A	N/A	22,735	90,735
Andrew Azar	Director	42,500	N/A	N/A	3,625	46,125
David Cummings	Director	42,500	N/A	N/A	41,875	84,375
Clinton Clarke	Director	25,500	N/A	N/A	36,975	62,475
Lambert Brown	Director	68,000	N/A	N/A	11,875	79,875
Derrick Webb	Director	76,500	N/A	N/A	30,750	107,250
Patrick Peterkin	Director	68,000	N/A	N/A	4,750	72,750
Reynold Scott	Director	51,000	N/A	N/A	10,875	61,875
Sonia Hyman	Director	76,500	N/A	N/A	279,177	355,677
Robert Martin	Director	76,500	N/A	N/A	320,790	397,290
Elizabeth Thompson	Director	85,000	N/A	N/A	-	85,000
Rudolph Daley	Director	85,000	N/A	N/A	-	85,000
Lucille Brodber	Director	76,500	N/A	N/A	4,500	81,000
Greta Bogues	Director	76,500	N/A	N/A	15,000	91,500

URBAN DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2016

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
URBAN DEVELOPMENT CORPORATION

We have audited the separate financial statements of Urban Development Corporation ("the corporation"), and the consolidated financial statements of the corporation and its subsidiaries ("the group"), set out on pages 3 to 48, which comprise the group's and corporation's statement of financial position as at March 31, 2016, the group's and corporation's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers
W. Gihan C. de Mel
Nyssa A. Johnson
Wilbert A. Spence
Rochelle N. Stephenson

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
URBAN DEVELOPMENT CORPORATION

Auditors' Responsibility (continued)

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and the corporation as at March 31, 2016, and of the group's and corporation's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants
Kingston, Jamaica

March 18, 2017

URBAN DEVELOPMENT CORPORATION

Group Statement of Financial Position
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,520,992	2,283,152
Assets held for sale	4(e)	-	327,678
Investment properties	4	44,243,527	40,403,904
Interest in associates	5	1,229,932	25,221
Due from related parties	6(a)	295,836	-
Interest in joint venture	7	1,346,618	1,430,363
Employee benefits asset	8	909,690	905,994
		50,546,595	45,376,312
CURRENT ASSETS			
Taxation recoverable		111,510	94,300
Inventory of land and development projects	9	1,229,323	451,827
Inventories	10	4,189	24,177
Assets held for sale	4(e)	327,678	12,224
Accounts receivable	11	749,902	871,715
Cash and cash equivalents	12	1,343,894	2,192,875
		3,766,496	3,647,118
TOTAL ASSETS		54,313,091	49,023,430
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	7,989,460	7,707,937
General reserve	14	325,718	325,718
Retained earnings		40,176,305	35,501,685
Attributable to equity owners of the corporation		48,714,271	43,758,128
Non-controlling interests	15	121,067	256,047
		48,835,338	44,014,175
NON-CURRENT LIABILITIES			
Provision for future infrastructure cost on land sold	16	510,420	475,394
Deferred tax liabilities	17	113,171	108,548
Long-term liabilities	18	765,994	832,946
Deferred income	19	-	36,238
		1,389,585	1,453,126
CURRENT LIABILITIES			
Current portion of long-term liabilities	18	234,000	110,287
Due to regional companies	20	177,852	153,842
Accounts payable and other liabilities	21	3,606,415	3,225,765
Income tax payable		69,901	66,235
		4,088,168	3,556,129
TOTAL EQUITY AND LIABILITIES		54,313,091	49,023,430

The financial statements, on pages 3 to 48, were approved for issue by the Board of Directors on March 18, 2017 and signed on its behalf by:

Ransford Braham Chairman

David Cummings Director

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Group Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Continuing operations			
Revenue	22	2,411,249	2,717,274
Cost of operating revenue		(195,631)	(141,029)
Gross profit		2,215,618	2,576,245
Administrative, marketing and selling expenses	23(a)	(2,752,318)	(2,398,908)
Operating (loss)/profit		(536,700)	177,337
Increase in fair value of investment properties	4	3,821,337	2,886,941
Other operating income		6,766	49,551
Share of loss from associates	5(b)	(68,524)	(5,923)
Share of profit from joint venture	7	3,896	30,590
Gain from investments, net		85,954	115,685
Profit before finance costs and impairment losses		3,312,729	3,254,181
Finance costs:			
Loan interest		(29,985)	(29,642)
Bank charges and other interest		(9,555)	(2,250)
		(39,540)	(31,892)
Impairment losses	23(b)	(433,059)	(243,223)
Profit before taxation		2,840,130	2,979,066
Taxation	24(a)	(43,552)	(17,422)
Profit from continuing operations		**2,796,578**	**2,961,644**
Profit/(loss) from discontinued operations	31(a)	928,670	(219,508)
Profit for the year		3,725,248	2,742,136
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of employee benefits asset	8(d)	(23,440)	154,877
Deferred tax on remeasurement of employee benefits asset	17	4,200	(4,738)
Revaluation of property, plant and equipment		281,523	186,766
Item that may be reclassified to profit or loss:			
Foreign currency translation differences		-	(45,466)
		262,283	291,439
Total comprehensive income for the year		3,987,531	3,033,575
Total comprehensive income is attributable to:			
Owners of the corporation		3,978,592	3,025,571
Non-controlling interests		8,939	8,004
		3,987,531	3,033,575

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Group Statement of Changes in Equity
Year ended March 31, 2016

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Retained earnings $'000	Parent corporation equity $'000	Non-controlling interest $'000	Total $'000
Balances at March 31, 2014	222,788	7,566,637	325,718	32,617,414	40,732,557	257,513	40,990,070
Total comprehensive income:							
Profit for the year	-	-	-	2,734,132	2,734,132	8,004	2,742,136
Other comprehensive income	-	141,300	-	150,139	291,439	-	291,439
Total comprehensive income for the year	-	141,300	-	2,884,271	3,025,571	8,004	3,033,575
Capital distribution	-	-	-	-	-	(9,470)	(9,470)
Balances at March 31, 2015	222,788	7,707,937	325,718	35,501,685	43,758,128	256,047	44,014,175
Derecognition of subsidiary on loss of control	-	-	-	977,551	977,551	-	977,551
Total comprehensive income:							
Profit for the year	-	-	-	3,717,060	3,717,060	8,188	3,725,248
Other comprehensive income	-	281,523	-	(19,991)	261,532	751	262,283
Total comprehensive income for the year	-	-	-	3,697,069	3,978,592	8,939	3,987,531
Capital distribution	-	-	-	-	-	(143,919)	(143,919)
Balances at March 31, 2016	222,788	7,989,460	325,718	40,176,305	48,714,271	121,067	48,835,338

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Group Statement of Cash Flows
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		3,725,248	2,742,136
Adjustments for:			
Depreciation	3	67,970	65,885
Amortisation of deferred income	19	-	(5,197)
Gain on disposal on investment properties		-	(26,293)
(Gain)/loss on disposal of property, plant and equipment		(1,395)	1,756
(Gain)/loss on disposal of asset held for sale		(473)	25,116
Gain on loss of control of subsidiary		(928,670)	-
Employee benefits asset, net		(27,136)	(33,891)
Increase in provision for future infrastructure costs on land sold		35,026	67,650
Impairment losses	23(b)	433,059	243,223
Increase in fair value of investment properties		(3,821,337)	(2,886,941)
Interest income		(92,187)	(132,003)
Interest expense		39,540	31,893
Tax charge	24(a)	43,552	17,422
Net foreign exchange (gain)/loss		-	(45,466)
Share of loss of associated companies	5(b)	68,524	5,923
Share of profit in joint venture	7	(3,896)	(30,590)
Operating cash flows before movements in working capital		(462,175)	40,623
(Increase)/decrease in net current assets			
Accounts receivable		33,751	462,078
Inventories		217	(15,213)
Inventory of land and development projects	9	(777,496)	(174,768)
Owed to regional companies		24,010	24,606
Accounts payable and other liabilities		650,897	(414,713)
Cash provided /(used) by operations		(530,796)	(77,387)
Interest received		92,187	131,060
Interest paid		(39,540)	(31,893)
Tax paid net		(48,273)	(22,336)
Net cash used by operating activities		(526,422)	(556)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	3	(32,024)	(67,936)
Proceeds from sale of property, plant and equipment		1,395	13,596
Change in related party balances		(295,836)	(71,433)
Interest in associated companies		9,011	-
Interest in joint venture		87,641	(3,416)
Proceeds from disposal of assets held for sale		12,698	662,548
Proceeds on disposal of investment properties		-	393,728
Acquisition of investment property	4	(18,286)	(153,071)
Net cash (used)/provided by investing activities		(235,401)	774,016
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans, net		56,761	(107,773)
Capital distribution		(143,919)	(9,470)
Net cash used by financing activities		(87,158)	(117,243)
(Decrease)/increase in net cash and cash equivalents		(848,981)	656,217
Cash and cash equivalents at beginning of year		2,192,875	1,536,658
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	1,343,894	2,192,875

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Financial Position
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	2,505,776	2,261,016
Investment properties	4	42,490,707	38,744,484
Interest in subsidiaries and associates	5	1,410,581	128,336
Due from related parties	6(a)	307,856	10,500
Interest in joint venture	7	201,747	289,388
Employee benefits asset	8	842,400	840,742
		47,759,067	42,274,466
CURRENT ASSETS			
Taxation recoverable		60,587	43,899
Inventory of land and development projects	9	1,229,323	451,827
Accounts receivable	11	257,065	374,026
Cash and cash equivalents	12	944,588	1,078,846
		2,491,563	1,948,598
TOTAL ASSETS		50,250,630	44,223,064
EQUITY AND LIABILITIES			
GOVERNMENT EQUITY			
Capital contributions		222,788	222,788
Capital reserve	13	6,736,750	6,455,227
General reserve	14	325,718	325,718
Retained earnings		37,442,204	32,423,547
		44,727,460	39,427,280
NON-CURRENT LIABILITIES			
Due to subsidiaries	6(b)	981,547	862,090
Provision for future infrastructure cost on land sold	16	510,420	475,394
Long-term liabilities	18	765,461	832,413
		2,257,428	2,169,897
CURRENT LIABILITIES			
Current portion of long-term liabilities	18	234,000	110,287
Due to regional companies	20	177,852	153,842
Accounts payable and other liabilities	21	2,853,890	2,361,758
		3,265,742	2,625,887
TOTAL EQUITY AND LIABILITIES		50,250,630	44,223,064

The financial statements on pages 3 to 48 were approved for issue by the Board of Directors on March 18, 2016 and signed on its behalf by:

Ransford Braham Chairman

David Cummings Director

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	Notes	2016 $'000	2015 $'000
Revenue	22	2,095,057	2,529,626
Administrative and general expenses	23(a)	(2,640,848)	(2,189,118)
Operating (loss)/profit		(545,791)	340,508
Increase in fair value of investment properties	4	3,728,746	2,690,644
Gain on loss of control of subsidiary	31	1,760,002	-
Income from investments:			
Foreign exchange losses, net		(28,082)	(16,318)
Capital distribution		655,268	44,300
Interest income		22,841	35,023
Other income		4,416	-
		5,597,400	3,094,157
Net finance costs:			
Loan interest		(29,985)	(29,642)
Bank charges and interest		(8,584)	(1,714)
		(38,569)	(31,356)
Impairment losses	23(b)	(493,258)	(483,698)
Profit before taxation		5,065,573	2,579,103
Taxation	24(a)	(24,078)	-
Profit for the year		5,041,495	2,579,103
Other comprehensive income:			
Items that may never be reclassified to profit or loss:			
Remeasurement of employee benefits asset	8(d)	(22,838)	139,606
Revaluation of property, plant and equipment		281,523	186,766
		258,685	326,372
Total comprehensive income for the year		5,300,180	2,905,475

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Changes in Equity
Year ended March 31, 2016

	Capital contributions $'000	Capital reserve $'000	General reserve $'000	Retained earnings $'000	Total $'000
Balance at March 31, 2014	222,788	6,268,461	325,718	29,704,838	36,521,805
Total comprehensive income:					
Profit for the year	-	-	-	2,579,103	2,579,103
Other comprehensive income	-	186,766	-	139,606	326,372
Total comprehensive income for the year	-	186,766	-	2,718,709	2,905,475
Balances at March 31, 2015	222,788	6,455,227	325,718	32,423,547	39,427,280
Total comprehensive income:					
Profit for the year	-	-	-	5,041,495	5,041,495
Other comprehensive income	-	281,523	-	(22,838)	258,685
Total comprehensive income for the year	-	281,523	-	5,018,657	5,300,180
Balances at March 31, 2016	222,788	6,736,750	325,718	37,442,204	44,727,460

The accompanying notes form an integral part of the financial statements.

URBAN DEVELOPMENT CORPORATION

Corporation Statement of Cash Flows
Year ended March 31, 2016

	Note	2016 $'000	2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5,041,495	2,579,103
Adjustments for:			
Depreciation	3	66,226	59,528
Gain on disposal of investment property		(1,395)	(26,293)
Gain on loss of control of subsidiary	31	(1,760,002)	-
Employee benefits asset		(24,496)	(27,185)
Increase in provision for future infrastructure costs on land sold		35,026	67,650
Impairment losses	23(b)	493,258	483,698
Increase in fair value of investment properties	4	(3,728,746)	(2,690,644)
Capital distribution income		(655,268)	-
Taxation expense	24(a)	24,078	-
Interest income		(22,841)	(35,023)
Interest expense		38,569	31,356
Operating cash flows before movements in working capital		(494,096)	442,190
Change in net current assets			
Accounts receivable		46,146	(47,114)
Owed from regional companies		24,009	24,607
Inventory of land and development projects	9	(777,496)	(174,768)
Accounts payable and other current liabilities		492,136	(421,280)
Cash used by operations		(709,301)	(176,365)
Interest paid		(38,569)	(31,356)
Interest received		24,296	34,080
Tax (paid)/recovered, net		(40,764)	(9,103)
Net cash used by operating activities		(764,338)	(182,744)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	3	(29,463)	(62,618)
Proceeds from sale of property, plant and equipment		1,395	892
(Increase)/decrease in related party balances		(124,044)	108,040
Interest in subsidiaries and associates		-	2
Interest in joint venture		87,641	(3,416)
Proceeds from disposal of investment property		-	393,726
Acquisition of investment property	4	(17,477)	(149,500)
Net cash (used)/provided by investing activities		(81,948)	287,126
CASH FLOWS FROM FINANCING ACTIVITY			
Loans, net		56,760	(107,773)
Capital distribution received		655,268	44,300
Net cash provided/(used) by financing activities		712,028	(63,473)
(Decrease)/increase in net cash and cash equivalents		(134,258)	40,909
Cash and cash equivalents at beginning of year		1,078,846	1,037,937
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	944,588	1,078,846

The accompanying notes form an integral part of the financial statements.

1. Corporate structure and principal activities

Urban Development Corporation (the corporation) is established under the Urban Development Act and is controlled by the Government of Jamaica. Its main activity is to undertake urban renewal and development in specific areas designated by the Government of Jamaica.

The corporation is domiciled in Jamaica and its registered office and principal place of business is at 12 Ocean Boulevard, Kingston Mall, Kingston, Jamaica.

The financial statements include the assets, liabilities, income and expenses relating to the corporation's activities managed on its behalf by the following companies:

- Caymanas Development Company Limited
- St. Ann Development Company Limited

The corporation and its subsidiaries [as listed at note 5(a)] are collectively referred to as "group".

2. Basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements as at and for the year ended March 31, 2016 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS).

New and amended standards that became effective during the year

Certain new and amended standards and interpretations came into effect during the current financial year. The adoption of those standards and amendments to standards did not have any significant effect on the amounts and disclosures in the financial statements.

New and amended standards that are not yet effective

At the date of authorization of the financial statements, certain new standards and amendments to existing standards, have been issued which are not yet effective and which the group has not early-adopted. Management has assessed the relevance of all such new standards, amendments and interpretations with respect to the group's operations and has determined that the following may impact future financial statements:

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.

    - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used for property plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

    - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards that are not yet effective (cont'd):

- Amendment to IAS 27, *Equity Method in Separate Financial Statements*, effective for accounting periods beginning on or after January 1, 2016. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and also joint ventures.

- IAS *1 Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirements of a standard.

  - the order of notes to the financial statements is not prescribed.

  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.

  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.

  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards that are not yet effective (cont'd):

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

- Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures*, in respect of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, are effective for annual reporting periods beginning on or after January 1, 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, *Business Combinations*.

- Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*, effective for accounting periods beginning on or after January 1, 2016, require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value but previously held interests will not be remeasured.

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards that are not yet effective (cont'd):

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosure of Interests in Other Entities* and IAS 28, *Investments in Associates and Joint Ventures*, effective for accounting periods beginning on or after January 1, 2016, have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the group are as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group – i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

  - IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

  - IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

- *Amendments* to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

2. Basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards that are not yet effective (cont'd):

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - a deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

Management is assessing the impact of adopting these standards and amendments to standards on its financial statements when the standards become effective.

(b) Basis of measurement and functional currency:

The financial statements are prepared at fair value, cost basis, except for the revaluation of freehold land, buildings, and investment properties at fair value, and are presented in Jamaica dollars ($), which is the functional currency of the group.

(c) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the group will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position, and profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. Management believes that the use of the going concern basis in the preparation of the financial statements remains appropriate.

(d) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and judgements that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date, and the profit or loss for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and in future periods, where applicable.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables and interest in joint venture:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables and interest in joint venture, for example, based on default and adverse economic conditions. Management makes estimates of the likely estimated future cash flows from impaired receivables and interest in joint venture, as well as the timing of such cash flows.

2. Basis of preparation and significant accounting policies (cont'd)

(d) Use of estimates and judgements (cont'd):

(ii) Fair value of property, plant and equipment and investment properties:

In making its judgement, management's best estimate of fair value is based on current prices of properties of similar nature, condition or location adjusted to reflect recent prices of similar properties in less active markets and changes in economic conditions since the dates of the last transaction or valuation.

(iii) Provision for future infrastructure cost on land sold:

In making its judgement, management considers the detailed criteria for recognition of a provision set out in IAS 37. The provision is based on the proportion amount in relation to land sold and is determined as follows:

- Estimates to complete contracts already commenced by the group.
- The estimated costs to carry out known infrastructure works for which contracts have not yet been initiated.
- Estimated costing takes into account labour and material prices.
- Allowances have been made as necessary for the likely effect of escalations due to interest costs, labour rates and material prices projected to estimated completion date.

(iv) Pension and other post-employment benefits:

The amounts recognised in the statement of financial position and profit or loss and other comprehensive income for pension and other post-employment benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised are the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-employment obligations and the expected rate of increase in medical costs for post-employment medical benefits.

The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the group's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on existing inflationary factors. Any changes in these assumptions will affect the amounts recorded in the financial statements for these obligations.

(e) Basis of consolidation:

(i) Subsidiaries

A "subsidiary" is an enterprise controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements comprise the financial results of the corporation and its subsidiaries prepared up to March 31, 2016. The principal operating subsidiaries are listed in note 5(a).

2. Basis of preparation and significant accounting policies (cont'd)

(e) Basis of consolidation (cont'd):

(ii) Associates

Associates are those entities in which the group has significant influence, but not control, over their financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses on an equity accumulated basis from the date that significant influence commences until the date it ceases. The results used are those disclosed in the latest available audited financial statements adjusted for significant events, if any, occurring between the last audited reporting date and March 31, 2016.

When the group's share of losses exceeds its carrying value in respect of an associate, the group's amount is reduced to nil, and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations, or made payments on behalf of the associate. If the associate subsequently reports profits, the group resumes recognizing its share of those profits only after its share of those profits equal the share of losses.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) Property, plant and equipment:

(i) Owned assets:

Freehold land and buildings held for the use in the production or supply of goods and services, or for administrative purposes are measured at their revalued amounts being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using the fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in capital reserve relating to a previous revaluation of that asset.

On a sale or retirement of a revalued property, the attributable revaluation surplus remaining in capital reserve is transferred directly to revenue reserve.

2. Basis of preparation and significant accounting policies (cont'd)

(f) Property, plant and equipment (cont'd):

(i) Owned assets (cont'd):

Properties in the course of construction for production, rental or administrative purposes or for purposes not yet determined, are measured at cost, less any recognised impairment loss. Cost includes acquisition costs, professional fees, and for qualifying assets borrowing costs capitalised in accordance with IAS 16. Depreciation for these assets, on the same basis as other properties, commences when the assets are ready for their intended use.

Furniture, fixtures, equipment and motor vehicles are measured at cost less accumulated depreciation and any impairment losses.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

(ii) Leased assets:

Lease arrangements through which the group assumes substantially all the risks and rewards of ownership are classified as finance lease. Plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset as indicated in (i) above.

(iii) Reclassification to investment property:

When the use of a property changes from owner-occupier to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gains recognised in other comprehensive income and presented in capital reserve. Any loss is recognised immediately in profit or loss.

(iv) Depreciation and amortisation:

No depreciation is charged on freehold land or capital work-in-progress.

For assets other than land and capital work-in-progress, depreciation is charged so as to write down the costs or valuation of the assets over their expected useful lives, using the straight-line basis, to their residual value. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following rates are used for depreciation of property, plant and equipment:

	Years
Freehold buildings	10-60
Leasehold improvements	3½
Motor vehicles	5
Furniture, fixtures and equipment	5-15
Sewerage treatment plant	10

2. Basis of preparation and significant accounting policies (cont'd)

(g) Investment properties:

Investment properties, comprising properties held to earn rentals and land held for future capital appreciation, are recognised initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss.

The fair value of the group's investment properties are arrived at on the basis of revaluations carried out at the reporting date by both independent real estate valuators and qualified internal valuators.

(h) Assets held-for-sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through use. They are measured at the lower of their carrying amount and fair value less costs to sell. Once they have been classified as held-for-sale, depreciation is no longer charged.

(i) Interest in joint venture:

A joint venture is an arrangement in which the group has joint control, whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interest in associate and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of the joint venture and associate, until the date on which significant influence or joint control ceases.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The group reports its interests in jointly controlled entities at cost less any recognized impairment loss.

(j) Employee benefits:

(i) Pension benefits:

The corporation operates a group defined benefit pension scheme administered by trustees, the assets of which are held separately from those of the group.

Pension assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion.

Actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefit assets and obligations as computed by the actuary. In carrying out their audit, the auditors rely on the work of the actuary and the actuary's report.

The group's net asset in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of scheme assets is deducted. The discount rate applied is the yield at the reporting date on long-term government instruments that have maturity dates approximating the term of the group's obligation. The calculation is performed using the projected unit credit method.

2. Basis of preparation and significant accounting policies (cont'd)

(j) Employee benefits (cont'd):

(i) Pension benefits (cont'd):

When the benefits of the plan are changed, or when the plan is curtailed, the resulting change in benefit relating to past service or the gain or loss on curtailment by employees is recognised immediately in profit or loss. The group recognised gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. The group determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to post-employment obligations are recognised in profit or loss.

(ii) Leave entitlements:

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave as a result of services rendered by employees up to the reporting date.

(k) Income taxes:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is computed in full for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted at the reporting date.

Deferred tax liability is not recognised for temporary differences related to associates, interest in subsidiaries and joint venture except to the extent that the group is unable to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment properties measured at fair value is presumed to be recovered through sale, and the group has not rebutted this presumption.

2. Basis of preparation and significant accounting policies (cont'd)

(l) Inventory of land and development projects:

Inventory of land and development projects includes projects and unsold apartments, and is measured at the lower of cost and net realisable value. Cost comprises land acquisition, infrastructure works, construction costs, direct administrative expenses and interest charges during the interval between acquisition and construction. These costs are treated as inventory until disposal. The cost of land sales is determined based on the land area sold to the total land area available for sale. Net realisable value represents the estimated selling price less all the estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Net realisable value is obtained from valuations conducted by qualified internal valuators based on sample valuations supplied by independent valuators or using market values arising from recent real estate sales.

(m) Inventories:

Inventories are measured at the lower of cost and net realisable value, determined on the first-in; first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(n) Accounts receivable:

Trade and other receivables are measured at amortised cost less impairment losses.

(o) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances resale agreements and short-term deposits and with maturities of three months or less from the dates of acquisition, and are measured at cost.

Securities purchased under resale agreements ("resale agreements") are short-term transactions whereby securities are bought with simultaneous agreements to resell them on a specified date and at a specified price. Resale agreements are accounted for as short-term collateralised lending, and are measured at amortised cost.

The difference between the purchase and resale consideration is recognised in profit or loss on the accrual basis over the period of the agreements using the effective yield method.

Bank overdrafts that are repayable on demand and form an integral part of the group's cash management activities are included as a component of cash and cash equivalents.

(p) Accounts payable and other current liabilities:

Trade and other accounts payable are measured at amortised cost.

(q) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity", in this case, the group).

(a) A person or a close member of that person's family is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or of a parent of the group.

2. Basis of preparation and significant accounting policies (cont'd)

(q) Related parties (cont'd):

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the group (or of a parent of the group).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or the parent of the group.

(c) A related party transaction involves transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(r) Loans:

Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing, using the effective interest method.

(s) Revenue recognition:

(i) Real estate trading income:

A contract is recognised as a sale when significant risks and rewards of ownership have been transferred to the buyer. Cost of sales, including land, is computed on a first in, first out basis. Where the outcome of the contract cannot be reliably determined, no revenue is recognised. Expected losses on a contract, computed on the basis of contract revenue and directly attributable costs, are recognised immediately.

(ii) Rental income:

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Rental income collected in advance is treated as deferred income and is amortized to profit or loss for the related period on a straight-line basis.

(iii) Interest income:

Interest income is recognised on the accrual basis using the effective interest method.

(iv) Other revenue:

This comprises ticket sales, project management fees, water and sewerage fees and is recognised on an accrual basis in accordance with the substance of the underlying contracts.

(t) Expenses:

(i) Finance costs:

Finance costs comprise interest payable on borrowings calculated using the effective interest method, material bank charges and foreign exchange losses recognised in profit or loss.

2. Basis of preparation and significant accounting policies (cont'd)

(t) Expenses (cont'd):

(ii) Operating lease payments:

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the terms of the leases. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(iii) Other expenses are recognised on the accrual basis.

(u) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies are translated to Jamaica dollars at foreign exchange rates ruling at the dates the values were determined.

For the purpose of the statement of cash flows, realised foreign exchange gains and losses are treated as cash items and included in cash flows along with movements in the relevant balances.

(v) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset, or group of operating assets, exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss recognised in profit or loss is the difference between the acquisition cost and current fair value.

(i) Calculation of recoverable amounts:

The recoverable amounts of the group's assets classified as loans and receivables are calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the group of operating assets to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of a financial asset is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of all other assets is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

3. Property, plant and equipment

The group

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture, fixtures and equipment $'000	Sewerage treatment plant $'000	Capital work-in-progress $'000	Total $'000
At cost or valuation:								
March 31, 2014	1,201,816	740,895	146,495	50,146	416,090	36,533	22,983	2,614,958
Additions	-	-	-	9,122	50,454	-	8,360	67,936
Transfer to asset held for sale	(1,386)	(12,115)	-	-	-	-	-	(13,501)
Revaluation	66,594	94,724	-	-	-	-	-	161,318
Disposals	(2,476)	(11,187)	-	(312)	(10,552)	-	-	(24,527)
March 31, 2015	1,264,548	812,317	146,495	58,956	455,992	36,533	31,343	2,806,184
Additions	-	-	-	-	31,317	-	707	32,024
Revaluation	163,270	86,984	-	-	-	-	-	250,254
Derecognised on loss of control of subsidiary	-	-	-	-	(18,165)	-	-	(18,165)
Disposals	-	-	-	(4,422)	-	-	-	(4,422)
March 31, 2016	1,427,818	899,301	146,495	54,534	469,144	36,533	32,050	3,065,875
Depreciation:								
March 31, 2014	404	6,667	64,022	47,321	334,400	36,533	3,029	492,376
Charge for the year	-	26,236	5,309	2,309	32,031	-	-	65,885
Eliminated on revaluation	-	(25,447)	-	-	-	-	-	(25,447)
Transfer to asset held for sale	-	(606)	-	-	-	-	-	(606)
Eliminated on disposal	-	(852)	-	(312)	(8,012)	-	-	(9,176)
March 31, 2015	404	5,998	69,331	49,318	358,419	36,533	3,029	523,032
Charge for the year	-	31,427	5,309	2,078	29,156	-	-	67,970
Eliminated on revaluation	-	(31,269)	-	-	-	-	-	(31,269)
Derecognised on loss of control of subsidiary	-	-	-	-	(10,428)	-	-	(10,428)
Eliminated on disposal	-	-	-	(4,422)	-	-	-	(4,422)
March 31, 2016	404	6,156	74,640	46,974	377,147	36,533	3,029	544,883
Net book values:								
March 31, 2016	1,427,414	893,145	71,855	7,560	91,997	-	29,021	2,520,992
March 31, 2015	1,264,144	806,319	77,164	9,638	97,573	-	28,314	2,283,152

Certain freehold land and buildings were revalued during the year by independent valuators Breakenridge and Associates, Allisson Pitter and Langford & Brown. Certain other properties were also revalued at March 31, 2016 by the in-house valuator. Changes arising on revaluation are recognised in other comprehensive income and included in capital reserve.

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

3. Property, plant and equipment (cont'd)

The corporation

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Motor vehicles $'000	Furniture fixtures and equipment $'000	Sewerage treatment plant $'000	Capital work-in-progress $'000	Total $'000
At cost or valuation:								
March 31, 2014	1,197,229	704,028	144,897	44,833	335,015	36,533	22,983	2,485,518
Additions	-	-	-	7,157	47,101	-	8,360	62,618
Revaluation adjustments	66,594	94,724	-	-	-	-	-	161,318
Disposals	-	-	-	(312)	(7,347)	-	-	(7,659)
March 31, 2015	1,263,823	798,752	144,897	51,678	374,769	36,533	31,343	2,701,795
Additions	-	-	-	-	28,756	-	707	29,463
Revaluation adjustments	163,270	86,984	-	-	-	-	-	250,254
Disposals	-	-	-	(4,422)	-	-	-	(4,422)
March 31, 2016	1,427,093	885,736	144,897	47,256	403,525	36,533	32,050	2,977,090
Depreciation:								
March 31, 2014	-	-	63,623	42,401	267,882	36,533	3,029	413,468
Charge for the year	-	25,447	5,309	2,210	26,562	-	-	59,528
Eliminated on revaluation	-	(25,447)	-	-	-	-	-	(25,447)
Eliminated on disposal	-	-	-	(312)	(6,458)	-	-	(6,770)
March 31, 2015	-	-	68,932	44,299	287,986	36,533	3,029	440,779
Charge for the year	-	31,269	5,309	2,037	27,611	-	-	66,226
Eliminated on revaluation	-	(31,269)	-	-	-	-	-	(31,269)
Eliminated on disposal	-	-	-	(4,422)	-	-	-	(4,422)
March 31, 2016	-	-	74,241	41,914	315,597	36,533	3,029	471,314
Net book values:								
March 31, 2016	1,427,093	885,736	70,656	5,342	87,928	-	29,021	2,505,776
March 31, 2015	1,263,823	798,752	75,965	7,379	86,783	-	28,314	2,261,016

Certain freehold land and buildings were revalued during the year by independent valuators Breakenridge and Associates, Allisson Pitter and Langford & Brown. Certain other properties were also revalued at March 31, 2016 by the in-house valuator. Changes arising on revaluation are recognised in other comprehensive income and included in capital reserve.

4. Investment properties

	The group			The corporation		
	Freehold land $'000	Freehold buildings $'000	Total $'000	Freehold land $'000	Freehold buildings $'000	Total $'000
March 31, 2014	32,410,212	5,292,066	37,702,278	32,345,498	3,897,228	36,242,726
Additions	-	153,071	153,071	-	149,500	149,500
Disposals	(152,224)	(149,500)	(301,724)	(152,224)	(149,500)	(301,724)
Transfers (note 9)	16,548	12,500	29,048	16,548	12,500	29,048
Increase in fair value	2,214,737	672,204	2,886,941	2,210,737	479,907	2,690,644
Write-off	(65,710)	-	(65,710)	(65,710)	-	(65,710)
March 31, 2015	34,423,563	5,980,341	40,403,904	34,354,849	4,389,635	38,744,484
Additions	17,477	809	18,286	17,477	-	17,477
Increase in fair value	2,876,686	944,651	3,821,337	2,870,686	858,060	3,728,746
March 31, 2016	37,317,726	6,925,801	44,243,527	37,243,012	5,247,695	42,490,707

(a) Freehold land includes land held for public purposes or retained for future development.

(b) Freehold buildings comprise commercial, office and residential buildings held for rental and not occupied by the group.

(c) Certain properties were valued during the year by independent valuators Breakenridge and Associates, Allison Pitter and Easton Douglas. Other properties were revalued by the in-house valuator.

The fair value measurement for investment properties has been categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring the fair value of investment properties as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties. • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

(d) Property rental income earned from investment properties, all of which were leased under operating leases, aggregated $378 million (2015: $221 million) for the group and $241 million (2015: $139 million) for the corporation. Direct operating expenses arising from the investment properties during the year aggregated $133 million (2015: $156 million) for the group and $129 million (2015: $150 million) for the corporation.

4. Investment properties (cont'd)

(e) Management had committed to sell certain properties. It is expected that the sale of the properties will be completed within one year of the reporting date, accordingly, the properties have been presented as assets held for sale.

At the reporting date, the assets were measured at fair value less cost to sell and comprised as follows:

	The group	
	2016	2015
	$'000	$'000
Classified as non-current	-	327,678
Classified as current	327,678	12,224
	327,678	339,902

5. Interest in subsidiaries and associates

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Interest in subsidiaries (a)	-	-	119,252	119,253
Interest in associates (b)	1,229,932	25,221	1,291,329	9,083
	1,229,932	25,221	1,410,581	128,336

(a) Interest in subsidiaries:

	The corporation	
	2016	2015
	$'000	$'000
Shares at cost:		
National Hotels and Properties Limited	109,696	109,696
Montego Freeport Limited	5,985	5,985
Ocho Rios Commercial Centre Limited	3,547	3,547
Runaway Bay Water Company Limited	21	21
Caymanas Development Company Limited	1	1
Seacastles Limited	1	1
Rutland Point Beach Resorts Limited	1	1
Montego Bay Conference Centre Limited	-	1
	119,252	119,253

5. Interest in subsidiaries and associates (cont'd)

(a) Interest in subsidiaries (cont'd):

Details of the subsidiaries are as follows:

Name of subsidiary	Country of Incorporation and operation	Ownership interest %	Principal activity
National Hotels and Properties Limited and its Subsidiaries:	Jamaica	100	Management of subsidiaries and leasing of properties
Kingston Waterfront Hotel Company Limited	Jamaica	95	Rental of office space
Montego Beach (1975) Limited	Jamaica	100	leasing of property
Montego Freeport Limited	Jamaica	82	Property owners and Managers
Ocho Rios Commercial Centre Limited	Jamaica	100	Leasing of commercial properties
Runaway Bay Water Company Limited	Jamaica	100	Supply of water
Caymanas Development Company Limited	Jamaica	100	Operation of a golf course and management of agricultural and horticultural projects
Montego Bay Conference Centre Limited**	Jamaica	20 (2015:100)	Operation of the Montego Bay Convention Centre
Seacastles Limited*	Jamaica	100	Construction and rental
Rutland Point Beach Resorts Limited*	Jamaica	100	Construction and rental

*These subsidiaries are inactive and management has taken the decision to wind them up.
**During the year, the Government of Jamaica acquired control of this company, therefore it is no longer treated as a subsidiary [see notes 6(a) and 31].

5. Interest in subsidiaries and associates (cont'd)

(b) Interest in associates:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Shares at cost:				
Portmore Commercial Development Company Limited (PCDC)	9,083	9,083	9,083	9,083
Montego Bay Conference Centre Limited (MBCC)	1,652,951	-	1,652,951	-
Cost of investments	1,662,034	9,083	1,662,034	9,083
Impairment loss [note 23(b)]	(370,705)	-	(370,705)	-
Group's share of reserve	(61,397)	16,138	-	-
Carrying amount of interest in associates	1,229,932	25,221	1,291,329	9,083

Details of the associates at March 31, 2016 are as follows:

Name of associate	Country of incorporation and operation	Ownership interest %	Principal activity
Portmore Commercial Development Company Limited	Jamaica	49	Operation of shopping and Commercial centre
Montego Bay Conference Centre Limited	Jamaica	20	Operation of the Montego Bay Convention Centre

Summary financial information for the associates is as follows:

	PCDC		MBCC	The group	
	2016	2015	2016	2016	2015
	$'000	$'000	$'000	$'000	$'000
Total assets	67,342	67,342	6,772,783	6,840,125	67,342
Total liabilities	(34,407)	(34,407)	(703,814)	(738,221)	(34,407)
Net assets	32,935	32,935	6,068,969	6,101,904	32,935
Group's share of net assets	16,138	16,138	1,213,794	1,229,932	16,138
Revenue	-	-	196,325	196,325	-
Expenses	-	(12,088)	(538,946)	(538,946)	(12,088)
Total comprehensive loss for the year	-	(12,088)	(342,621)	(342,621)	(12,088)
Group share of loss	-	(5,923)	(68,524)	(68,524)	(5,923)

The information presented for MBCC in the table represents the period April 1, 2015 to March 31, 2016. Prior to this period, MBCC was accounted for as a subsidiary.

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

5. Interest in subsidiaries and associates (cont'd)

(c) The group also has investment in other companies as follows:

	The group and corporation 2016 $'000	2015 $'000
Shares at cost:		
Kingston Restoration Company Limited	25	25
Rose Hall Resorts Limited	109,890	109,890
	109,915	109,915
Less: Impairment losses	(109,915)	(109,915)
Carrying amount	-	-

6. Due from related parties

	The group 2016 $'000	The group 2015 $'000	The corporation 2016 $'000	The corporation 2015 $'000
(a) Due from related parties:				
Advances to subsidiaries and other related parties:				
Caymanas Development Company Limited	-	-	454,678	544,100
Caymanas Golf Course and Country Club	-	-	261,300	-
Montego Beach (1975) Limited	-	-	(6)	-
Ocho Rios Commercial Centre Limited	-	-	367	(2,184)
Montego Freeport Limited	-	-	89	426
National Hotels and Property Limited	-	-	-	5
Seacastles Limited	-	-	216	216
Rutland Point Beach Resorts Limited	-	-	712	684
Montego Bay Conference Centre Limited*	292,545	-	292,545	837,771
St. Ann Development Company Limited	152	-	152	94
Urban Maintenance	3,139	-	3,139	-
	295,836	-	1,013,192	1,381,112
Less: impairment losses	-	-	(705,336)	(1,370,612)
Total due from related parties	295,836	-	307,856	10,500

* The Government of Jamaica (GOJ) and the corporation have agreed to capitalise the cost of constructing the Montego Bay Convention Centre, which is operated by Montego Bay Conference Centre Limited, and other operating costs up to August 2014. This has resulted in a change in the ownership, as the GOJ owns 80% of Montego Bay Conference Centre Limited and the corporation owns 20%. The formalities of the change in ownership was completed on August 17, 2015, and Montego Bay Conference Limited is now being accounted for as an associate [note 5(b)].

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

6. Due to related parties

(b) Due to subsidiaries:

	The corporation	
	2016	2015
	$'000	$'000
Advances from subsidiaries:		
Runaway Bay Water Company Limited	73,947	57,695
National Hotels and Properties Limited	842,791	817,655
Kingston Waterfront Hotel Company Limited	64,809	(13,260)
	981,547	862,090

7. Interest in joint venture

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Seaside at Rose Hall Developments Limited:				
Initial investment	287,226	287,226	287,226	287,226
Loans (payable)/receivable	(85,479)	2,162	(85,479)	2,162
	201,747	289,388	201,747	289,388
Group's share of reserve:				
Balance at beginning of the year	1,140,975	1,110,385	-	-
Share of profit for the year	3,896	30,590	-	-
	1,144,871	1,140,975	-	-
	1,346,618	1,430,363	201,747	289,388

Investment in Seaside at Rose Hall Developments Limited is based on the Heads of Agreement between the corporation and Seaside at Rose Hall Developments Limited in which the corporation has a shareholding of 60%. The joint venture was incorporated for the purpose of developing 29 acres of land at Rose Hall, St. James. Effective December 2010, Seaside at Rose Hall Development Limited transferred its interest to Rose Hall St. Lucia Limited, a company incorporated in St. Lucia.

Summary financial information for the joint venture is as follows

	2016	2015
	$'000	$'000
Total assets	2,392,456	2,401,415
Total liabilities	(12,150)	(14,675)
Net assets (100%)	2,380,306	2,386,740
Group's share of net assets (60%)	1,428,184	1,432,044

Other joint venture interest:

The corporation has investment in joint ventures with Ackendown Newtown Development Company Limited and Port Royal Development Company Limited, both of which have been fully impaired and the corporation has no further exposure to these entities.

7. Interest in joint venture (cont'd)

The joint venture in Ackendown Newtown Development Company was incorporated for the purpose of constructing a 360 room key hotel under the corporation's South West Coast Development Plan (for the parish of Westmoreland).

Pursuant to the settlement agreements between the corporation and the Government of Jamaica/Commissioner of Lands, the corporation released Ackendown from all liabilities including the Caracas Energy loan and all accrued interest on those liabilities.

8. Employee benefits asset

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Present value of funded obligations of defined benefit pension plan	(1,779,273)	(1,453,323)	(1,647,663)	(1,348,653)
Fair value of plan assets	2,688,963	2,359,317	2,490,063	2,189,395
Asset recognised in the statement of financial position	909,690	905,994	842,400	840,742

(a) Movements in the assets recognised during the year were as follows:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at beginning of year	905,994	721,964	840,742	673,951
Amounts recognized in profit or loss [note (d)]	9,968	12,166	7,899	10,772
Amounts recognized in other comprehensive Income [note (d)]	(23,440)	154,877	(22,838)	139,606
Contributions	17,168	16,987	16,597	16,413
Balance at end of year	909,690	905,994	842,400	840,742

(b) Movements in funded obligations:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at beginning of year	(1,453,323)	(1,283,121)	(1,348,653)	(1,207,088)
Current service costs and contributions	(110,792)	(93,336)	(105,931)	(85,571)
Interest costs	(136,850)	(118,841)	(126,994)	(115,677)
Remeasurement of defined obligation	(120,557)	16,387	(106,162)	35,936
Benefits paid and settlements (lump sum and annuity purchases)	42,249	25,588	40,077	23,747
Balance at end of year	(1,779,273)	(1,453,323)	(1,647,663)	(1,348,653)

8. Employee benefits asset (cont'd)

(c) Movements in plan assets:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fair value of plan assets at beginning of year	2,359,317	2,005,085	2,189,395	1,881,039
Contributions paid	60,366	58,086	58,367	56,147
Calculated return on plan assets	97,118	115,238	83,325	103,670
Benefits paid and settlements (Lump sum and annuity purchases)	(42,249)	(25,588)	(40,077)	(23,747)
Remeasurement of plan assets	225,009	214,973	208,867	180,153
Administrative expenses	(10,598)	(8,477)	(9,814)	(7,867)
Fair value of plan assets at end of year	2,688,963	2,359,317	2,490,063	2,189,395

The assets of the plan are held separately from the group's assets and consist of the following:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Consumer price index fund	247,561	589,664	229,250	547,196
Foreign currency fund	450,369	344,183	417,055	319,395
Equity fund	286,230	88,421	265,058	82,053
International equity	355,225	352,600	328,949	327,205
Fixed income fund	590,431	512,842	546,757	475,905
Mortgages and real estate fund	759,147	471,607	702,994	437,641
	2,688,963	2,359,317	2,490,063	2,189,395

(d) Amounts recognised in profit or loss and other comprehensive income:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Included in profit or loss:				
Current service cost - employer	67,593	48,411	64,160	45,838
Interest costs and administrative expenses	(77,561)	(60,577)	(72,059)	(56,610)
Total included in employee benefit expenses (note 26)	(9,968)	(12,166)	(7,899)	(10,772)
Included in other comprehensive income:				
Remeasurement gain due to actuarial gain/loss arising from:				
Experience adjustment	60,294	210,138	54,845	189,832
Demographic assumptions	-	(55,261)	-	(50,226)
Economic assumptions	(83,734)	-	(77,683)	-
	(23,440)	154,877	(22,838)	139,606

8. Employee benefits asset (cont'd)

(e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	9	9.5
Future salary increases	5.5	6
Future pension increases	5	5
Long-term rate of inflation	5.5	6

(f) Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, and holding other assumptions constant, would have affected the defined benefit obligation by the following amounts.

	The group			
	2016		2015	
	1% increase $'000	1% decrease $'000	1% increase $'000	1% decrease $'000
Defined benefit obligation:				
Discount rate	(271,739)	353,631	(237,804)	310,777
Salary growth rate	153,032	(131,399)	125,668	(107,418)

9. Inventory of land and development projects

	The group and corporation	
	2016 $'000	2015 $'000
At beginning of year	451,827	306,107
Additions	777,496	174,768
Transfers to investment properties (note 4)	-	(29,048)
At end of year	1,229,323	451,827

Inventory of land and development projects primarily comprises land which is currently being developed as well as housing units available for sale.

10. Inventories

	The group	
	2016 $'000	2015 $'000
Food and beverages	1,475	3,618
Spare parts and maintenance materials	2,714	2,866
Tools and other	-	17,693
	4,189	24,177

11. Accounts receivable

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade receivables	866,786	811,380	805,266	688,585
Real estate sales receivables	758,144	736,704	321,751	320,877
	1,624,930	1,548,084	1,127,017	1,009,462
Amounts advanced on specific projects	43,988	43,988	43,988	43,988
Prepaid expenses and other current assets	920,642	1,074,203	874,562	1,043,256
	2,589,560	2,666,275	2,045,567	2,096,706
Less: Impairment allowance	(1,839,658)	(1,794,560)	(1,788,502)	(1,722,680)
	749,902	871,715	257,065	374,026

(i) Movements in impairment allowance:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at beginning of year	1,794,560	1,672,085	1,722,680	1,582,273
Impairment allowance recognised in profit or loss	45,098	122,475	65,822	140,407
Balance at end of the year	1,839,658	1,794,560	1,788,502	1,722,680

(ii) Ageing of trade and real estate sales receivables:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Less than 60 days	41,560	24,632	20,740	-
61 – 90 days	61,044	39,639	52,719	30,509
More than 90 days	1,522,326	1,483,813	1,053,558	978,953
	1,624,930	1,548,084	1,127,017	1,009,462

12. Cash and cash equivalents

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank and short term deposits	1,348,664	1,840,753	944,588	723,166
Resale agreements (i)	-	355,680	-	355,680
Bank overdraft (ii)	(4,770)	(3,558)	-	-
	1,343,894	2,192,875	944,588	1,078,846

(i) The fair value of the underlying securities used to collateralise resale agreements approximates the carrying value of the resale agreements.

(ii) Bank overdraft balances resulted from unpresented cheques.

13. Capital reserve

This comprises:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Surplus on revaluation of property, plant and equipment:				
Balance at start of the year	7,707,937	7,521,171	6,455,227	6,268,461
Additions during the year	281,523	186,766	281,523	186,766
Balance at end of year	7,989,460	7,707,937	6,736,750	6,455,227

14. General reserve

During 1998, the board of directors of the corporation made a decision to establish a reserve account for the purpose of funding projects approved by the Government of Jamaica from time to time.

The interest earned on a fixed deposit, which was established from the proceeds of the sale of a hotel property, was transferred to this reserve.

15. Non-controlling interests

Minority interests are in respect of shares in the following subsidiaries:

	Minority interest	2016	2015
	%	$'000	$'000
Shares:			
Kingston Waterfront Hotel Company Limited	5	334	334
Montego Freeport Limited	18	50,676	50,676
		51,010	51,010
Share of capital reserve		31,466	174,634
		82,476	225,644
Add: - Share of profits in subsidiaries attributable to non-controlling interests		38,591	30,403
		121,067	256,047

16. Provision for future infrastructure cost on land sold

	The group and corporation	
	2016	2015
	$'000	$'000
At beginning of year	475,394	407,744
Increase in provision	35,026	67,650
At end of year	510,420	475,394

17. Deferred tax liabilities

Deferred tax liabilities comprise as follows:

The group:

	2016			
	2015 $'000	Recognised in profit or loss $'000 [note 24(a)]	Recognised in other comprehensive income $'000	2016 $'000
Revaluation of investment properties	(83,389)	915	-	(82,474)
Employee benefits asset	(18,325)	(884)	4,200	(15,009)
Interest receivable	(7,569)	(7,973)	-	(15,542)
Property, plant and equipment	(1,422)	(1,506)	-	(2,928)
Accounts payable	1,236	-	-	1,236
Tax losses	1,381	-	-	1,381
Other	(460)	625	-	165
	(108,548)	(8,823)	4,200	(113,171)

	2015			
	2014 $'000	Recognised in profit or loss $'000 [note 24(a)]	Recognised in other comprehensive income $'000	2015 $'000
Revaluation of investment properties	(90,892)	7,503	-	(83,389)
Employee benefits asset	(13,587)	-	(4,738)	(18,325)
Interest receivable	(11,832)	4,263	-	(7,569)
Property, plant and equipment	(4,434)	3,012	-	(1,422)
Accounts payable	1,268	(32)	-	1,236
Tax losses	(615)	1,996	-	1,381
Other	11,650	(12,110)	-	(460)
	(108,442)	4,632	(4,738)	(108,548)

Deferred tax asset for the corporation has not been recognized due to the uncertainty of recovering the tax asset [see note 24(d)].

18. Long-term liabilities

	The group		The corporation	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
PetroCaribe Development Fund (a)	999,461	942,700	999,461	942,700
Redeemable preference shares (b)	533	533	-	-
	999,994	943,233	999,461	942,700
Less: Current portion	(234,000)	(110,287)	(234,000)	(110,287)
	765,994	832,946	765,461	832,413

18. Long-term liabilities (cont'd)

(a) An amount of US$9,600,000 (2015: US$9,600,000) was drawn down under a US$11,000,000 loan facility obtained by the corporation from the Petrocaribe Development Fund to develop the Falmouth Cruise Terminal to accommodate large cruise ships. The loan attracts interest at a rate of 3% per annum and was scheduled to be repaid in December 2013. During 2014, the terms of the loan were renegotiated resulting in the loan being repayable over a period of five (5) years by nineteen (19) equal quarterly instalments commencing March 31, 2014, and final bullet payment at maturity on December 30, 2018. The loan is secured by duly executed promissory notes, together with a specific security, which is the registered mortgage on property known as "Top Forte" located in St. Ann, registered at Volume 1445 and Folio 450 in the Register Book of Titles.

(b) This balance represents 10% redeemable convertible cumulative preference shares held by a subsidiary. At March 31, 2016, there were arrears of cumulative preference dividends amounting to $1.2 million (2015: $1.2 million). No provision has been made for this amount.

19. Deferred income

	The group	
	2016	2015
	$'000	$'000
Balance at the beginning of the year	43,140	48,009
Less: Amount recognised in income	-	(5,197)
Foreign exchange adjustment	-	328
Derecognised on loss of control of subsidiary	(43,140)	-
	-	43,140
Less: Current portion (included in accounts payable)	-	(6,902)
	-	36,238

Under a management agreement, dated January 14, 2011, SMG Latin America, LLC, is required to make an interest free advance to a subsidiary, which is only refundable if the contract is terminated. The contract is for 10 years and the amount refundable is in proportion to the period remaining on the contract at the time of termination. The amount is therefore being amortised over a ten year period.

20. Due to regional companies

Ministry Paper dated February 27, 1968 stated that the regional companies mentioned below were incorporated to initiate primary development in their respective areas pending the establishment of the Group by Act of Parliament. It is intended that these companies should operate as wholly-owned regional agents of the corporation.

The regional companies are Kingston Waterfront Redevelopment Company Limited and St. Ann Development Company Limited.

21. Accounts payable and other liabilities

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables	788,881	553,768	775,997	400,416
Contract payables and retentions	58,860	20,498	58,860	20,498
Deposits on sale of real estate	579,744	515,066	191,843	126,551
Accruals	227,195	357,041	175,004	188,939
Amounts to be disbursed on specific projects	969,460	1,076,369	969,460	1,076,369
Statutory deductions and others	982,275	703,023	682,726	548,985
	3,606,415	3,225,765	2,853,890	2,361,758

URBAN DEVELOPMENT CORPORATION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

22. Operating revenue

The group's and the corporation's revenue arises materially from project and other management fees, ticket sales, real estate sales and rental of properties.

23. Nature of expenses

(a) Administrative, marketing and selling expenses

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Depreciation	68,130	65,885	66,226	59,528
Directors fees	3,882	2,531	2,758	1,856
Gain on disposal of investment properties	(1,395)	(26,293)	(1,395)	(26,293)
Insurance	22,702	64,479	16,668	64,479
Interest and penalties	523,291	-	523,291	-
Management expense	188,210	138,730	179,786	169,827
Motor vehicle expense	159,690	130,923	157,360	130,923
Other operating expenses	132,011	236,936	101,314	203,687
Professional fees	75,801	53,287	58,393	48,007
Property tax, stamp duties and other taxes	80,160	158,328	78,940	158,328
Repairs and maintenance	172,400	148,097	155,686	133,120
Research costs	19,346	24,355	19,346	24,355
Security	116,180	109,478	112,313	109,478
Social intervention expenses	-	46,182	-	46,182
Staff costs (note 26)	1,092,397	1,085,247	1,075,671	975,945
Statutory and other expense	10,208	11,908	10,208	11,908
Urban redevelopment cost	17,592	1,424	17,592	1,424
Utilities	71,713	147,411	66,691	76,364
	2,752,318	2,398,908	2,640,848	2,189,118

(b) Impairment losses:

These arise on account of:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Accounts receivable	45,098	171,788	65,822	171,788
Due from related parties	-	-	37,426	311,910
Interest in associates [note 5(b)]	370,705	-	370,705	-
Others	17,256	71,435	19,305	-
	433,059	243,223	493,258	483,698

24. Taxation

(a) Taxation represents profit or loss for the year adjusted for tax purposes and materially represents income tax @ 25%, comprising the following:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current tax expense:				
Current year charge @ 25% (2015: 25%)	10,152	22,054	-	-
Prior year adjustment	24,578	-	24,078	-
Deferred taxation:				
Origination and reversal of other temporary differences (note 17)	8,822	(4,632)	-	-
	43,552	17,422	24,078	-

(b) Reconciliation of effective tax charge:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Profit before taxation	2,840,130	2,979,066	5,065,573	2,579,103
Computed "expected" tax expense at statutory rates @ 25% (2015: 25%)	710,032	744,766	1,266,393	644,776
Tax effect of differences between profit for financial statements and tax reporting purposes on:				
Fair value gains on investment properties	(960,955)	(691,252)	(932,186)	(655,342)
Prior year adjustment	24,078	-	24,078	-
Other items non-deductible for tax purposes	270,397	(36,092)	(334,207)	10,566
Actual tax charge recognised in profit or loss	43,552	17,422	24,078	-

(c) Taxation losses, subject to agreement by the Commissioner General, Taxpayer Administration Jamaica, available for relief against future taxable profits, amount to approximately $1,836 million (2015: $3,501 million) for the group and $1,679 million (2015: $2,347 million) for the corporation. If unutilised, these losses can be carried forward indefinitely. However, the maximum amount that can be utilised in any one year is restricted to 50% of the taxable profit for that year.

(d) Deferred tax asset of $459 million (2015: $896 million) for the group and $420 million (2015: $644 million) for the corporation has not been recognised in respect of tax losses, as there is no certainty that the group and corporation will make profits against which the losses can be utilized in the foreseeable future.

25. Related party transactions

In addition to balances disclosed in notes 5, 6, and 7, the group had transactions with related parties as follows:

(i) Key management:

The remuneration of key management, including directors, during the year was as follows:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Short-term benefits	66,524	99,628	64,179	68,429

(ii) The corporation performed certain administrative services for the following subsidiaries for which fees were earned:

	The corporation	
	2016	2015
	$'000	$'000
Runaway Bay Water Company Limited	48,069	48,069
Ocho Rios Commercial Centre Limited	7,000	7,000
National Hotels and Properties Limited	25,500	25,501
Montego Bay Conference Centre	-	92
	80,569	80,662

26. Staff costs

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Staff costs are made up as follows:				
Senior executives emoluments	66,524	82,666	64,179	68,429
Salaries and wages	797,571	765,889	782,092	680,690
Defined benefit pension plan [note 8(d)]	(9,968)	(12,166)	(7,899)	(10,772)
Statutory contributions	109,237	113,248	108,582	108,005
Other	129,033	135,610	128,717	129,593
	1,092,397	1,085,247	1,075,671	975,945

27. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

(a) Financial risk management:

The group has exposure to the following risks from the use of financial instruments:

- credit risk
- liquidity risk
- market risk

27. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The group has financial risk management policies which are directed by the Board of Directors of the corporation. These policies set out the corporation's overall business strategies and its risk management philosophy. The financial risk management programme seeks to minimize potential adverse effects of financial performance of the corporation. The Board of Directors of the parent corporation provides principles for overall financial risk management and policies covering specific areas, such as market risk (including currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. Periodic reviews are undertaken to ensure that the policy guidelines are complied with.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group's principal financial assets are cash and cash equivalents, and accounts receivable.

Management of credit risk

Credit risk relating to cash and cash equivalents is mitigated by the maintenance of cash resources only with reputable financial institutions who are appropriately licensed and regulated with minimal risk of default.

The group's credit risk is primarily attributable to its trade receivables, since amounts advanced on specific projects are receivable from funds received from the Government of Jamaica and mobilization advances are receivable from amounts payable to contractors. Trade receivables presented in the statement of financial position are net of impairment losses. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The group's risk regarding advances to specific projects and mobilization advances are limited because the group's primary customers are government-owned entities.

In determining the recoverability of other trade receivables, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the group believes that there is no further credit provision required in excess of the impairment allowance already made.

The average credit period on the sale of land or rentals is 30 days. Interest at a rate of 20% per annum may be charged on outstanding amounts effective on the date payment was due. The group has fully provided for all receivables 91 days and over, because historical experience is such that receivables that are past due 91 days and beyond are generally impaired.

Based on the nature of the group's business, no credit checks are performed for individuals purchasing houses/land.

Maximum exposure to credit risk

The group's maximum exposure to credit risk at the reporting date is represented by the carrying value of the financial assets in the statement of financial position.

27. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

- Foreign currency risk:

Foreign currency risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group is exposed to foreign currency risk as a result of transactions that are denominated in a currency other than the Jamaica dollar. The primary currency giving rise to such exposure is the United States dollar (US$).

Management of foreign currency risk

The group manages foreign currency risk by ensuring that the exposure in foreign currency assets and liabilities is kept to an acceptable level by monitoring currency positions. Management further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

At the reporting date, the group's exposure to foreign currency risk was as follows:

	The group		The corporation	
	2016	2015	2016	2015
	US$'000	US$'000	US$'000	US$'000
Net foreign currency exposure	(5,242)	(6,457)	(8,459)	(5,610)

Foreign currency sensitivity

A change in the Jamaica dollar, against the United States dollar, at the reporting date, would have affected profit for the year by the amounts shown below.

	The group			
	2016		2015	
	1% increase	6% decrease	1% increase	8% decrease
	$'000	$'000	$'000	$'000
Effect on profit	6,398	(38,385)	7,428	(59,425)

	The corporation			
	2016		2015	
	1% increase	6% decrease	1% increase	8% decrease
	$'000	$'000	$'000	$'000
Effect on profit	10,323	(61,941)	6,454	(51,632)

Exchange rates for the Jamaica dollar in terms of the US dollar were as follows:

At March 31, 2016	$122.04 = US$1
At March 31, 2015	$115.04 = US$1

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2015.

27. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Market risk (cont'd):

- Interest rate risk:

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Management of interest rate risk

The group is exposed to interest rate risk through borrowings and deposits held at fixed and variable rates. The group manages this risk by ensuring that an appropriate mix is maintained. Additionally, the risk position is evaluated regularly.

At the reporting date, the interest profile of the group's interest-bearing financial instruments as represented by their carrying amounts was as follows:

	The group		The corporation	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets	1,508,399	1,079,802	944,060	1,078,698
Financial liabilities	(999,461)	(942,700)	(999,461)	(942,703)
Net financial asset/(liability)	508,938	137,102	(55,401)	135,995

Cash flow sensitivity analysis for variable rate instruments

A change of 1 (2015: 1) basis point in interest rates would have affected profit or loss for the year by $5,089,380 (2015: $1,370,000) for the group and $554,007 (2015: $1,360,000) for the corporation. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is done on the same basis as for 2015.

Fair value sensitivity analysis for financial instruments

The group does not carry any financial instruments at fair value, therefore a change in interest rates would not affect the carrying value of the group's financial instruments.

(iii) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash resources to meet the group's financial needs.

27. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk (cont'd):

Management of liquidity risk

The group's liquidity risk management process includes:

(a) Monitoring future cash flows and liquidity regularly. This incorporates an assessment of expected cash flows through forecasting on a monthly basis; and

(b) Preparation of an annual budget which is reviewed and approved by the Board of Directors of the corporation.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the group and its exposure to changes in interest rates and exchange rates.

Undiscounted cash flows of financial liabilities

The maturity profile of the group's financial liabilities at the reporting date based on contractual undiscounted payments was as follows:

	The group				
	Carrying amount $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Contractual cash flows $'000
2016					
Long-term liabilities	999,994	182,509	106,858	827,083	1,116,450
Due to regional companies	177,852	177,852	-	-	177,852
Accounts payable and other liabilities	3,606,415	3,606,415	-	-	3,606,415
	4,784,261	3,966,776	106,858	827,083	4,900,717
2015					
Long-term liabilities	943,233	34,790	103,283	914,444	1,052,517
Due to regional companies	153,842	153,842	-	-	153,842
Accounts payable and other liabilities	3,225,765	2,849,477	376,288	-	3,225,765
	4,322,840	3,038,109	479,571	914,444	4,432,124

27. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Liquidity risk (cont'd)

	The corporation				
	Carrying amount $'000	1 to 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Contractual cash flows $'000
2016					
Long-term liabilities	999,461	182,509	106,858	826,550	1,115,917
Due to subsidiaries	981,547	-	-	981,547	981,547
Due to regional companies	177,852	177,852	-	-	177,852
Accounts payable and other liabilities	2,853,890	2,853,890	-	-	2,853,890
	5,012,750	3,214,251	106,858	1,808,097	5,129,206
2015					
Long-term liabilities	942,700	34,790	103,283	913,911	1,051,984
Due to subsidiaries	862,090	-	-	862,090	862,090
Due to regional companies	153,842	153,842	-	-	153,842
Accounts payable and other liabilities	2,361,758	2,361,758	-	-	2,361,758
	4,320,390	2,550,390	103,283	1,776,001	4,429,674

(b) Capital management:

Management objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for its stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the group's approach to capital management during the year and the group is not subject to any external capital requirements.

28. Fair value disclosures

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument.

Determination of fair value and fair values hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The group does not have any financial instrument that is carried at fair value and where fair value is a reasonable approximation of carrying value, no fair value computation is done.

28. Fair value disclosures (cont'd)

The carrying value of accounts receivable, cash and cash equivalents, and accounts payable and other liabilities is a reasonable approximation of their fair value.

The fair value of long-term liabilities is assumed to approximate carrying value, as the liabilities are at market terms.

The fair value of amounts due to subsidiaries and regional companies could not be reliably determined as the amounts are unsecured and interest-free and there is no market date available to use to compute fair value.

29. Commitments and contingencies

(a) At March 31, 2016, management estimates aggregate cost of $1.466 billion (2015: $1.628 billion) to complete approved and initiated projects for the group and the corporation.

(b) The group and the corporation are contingently liable in respect of legal claims arising in the ordinary course of business. These claims are at various stages of conclusion. To the extent that recommendations have been made by the attorneys, adequate provision has been made in these financial statements for these contingencies. Where the outcome cannot be reliably estimated, or where the group is confident in its defence, no provision is made in these financial statements.

30. Operating lease arrangements

At the reporting date, the group and the corporation had contracts with tenants, with future minimum lease payments receivable as follows:

	The group and corporation	
	2016	2015
	$'000	$'000
Within one year	332,304	526,321
In subsequent years	763,899	1,215,801
	1,096,203	1,742,122

31. Discontinued operation

In the prior year, the corporation and the Government of Jamaica (GOJ) agreed on the transfer of Montego Bay Conference Centre Limited to GOJ [see note 6(a)]. The transaction took effect from April 1, 2015, and had the following effect on the financial statements:

(a) Gain on derecognition of subsidiary:

	The group		The corporation	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Revenue	-	217,814	-	-
Expenses	-	(437,322)	-	-
Loss from operating activities	-	(219,508)	-	-
Gain on sale of land	928,670	-	928,670	-
Impairment losses reversed	-	-	831,332	-
Profit/(loss) from derecognition of subsidiary	928,670	(219,508)	1,760,002	-

31. Discontinued operation (cont'd)

(b) Effect of derecognition of subsidiary on financial position of the group:

	2016 $'000
Property, plant and equipment	7,737
Inventories	19,771
Accounts receivable	25,708
Deferred income	(43,140)
Accounts payable	(263,346)
Net liabilities	(253,270)

32. Subsequent event

Subsequent to the reporting date, certain of the corporation's lands with a value of approximately $14.5 billion were transferred to a third party to satisfy an agreement between the Government of Jamaica and the said third party as part of the settlement of the construction of the North-South Highway.

URBAN DEVELOPMENT CORPORATION

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